

## Reality Missing – Search Continues

06-08-18

Paul Krugman, in his blog post, [What's the Matter With Europe?](#), locates the initial mistake that may bring down the European Union in the decision to create a universal currency for member states. That meant that in an economic downturn individual states could not devalue their currency at their own discretion in order to stimulate the economy. He points to member states Iceland and Poland that retained their national currency largely avoiding the Great Slump. He does not cite Britain which also retained the Pound and did not escape anything.

Central bankers proceeded to broaden the damage done by their initial error by thinking the cause of the slump was "fiscal profligacy" and that austerity was required to return the economy to financial equilibrium. But it's politics and not economics that forms the core of of an oncoming societal disaster. He quotes an unnamed political as telling him right after the fall of the Berlin Wall, "*Now that Eastern Europe is free from the alien ideology of Communism, it can return to its true path: fascism.*" *We both knew he had a point.* Mainstream economics is a technical diagram of a tiny part of the society as a whole. As if 3.8% unemployment equals happiness. It's not seeing humanity behind a forest of numbers. Trump, Brexit, and the many other popular acts of subversion are demands that the deterioration of real life conditions be acknowledged and dealt with.

Liberals imagine that the rising of Trumpism is similar to the increasing popularity of the radical right and leftish euroskepticism. But Trump is really a babbling fool who cannot refrain from badly stating things that both parties have said more nicely, and in many cases, have followed their words with deeds. All his nastiness has been bipartisan: the anti-'illegals' actionws, the criminal wars and war threats, the subversion of personal rights, the racism that allows the police to get away with murder, the rule by fiat from the White House, etc. The only actual success that he's had is the pro-business tax cuts, something that both parties have done with regularity following World War Two. The real problem is that all of the proposed solutions by mainstream parties are so narrow as to be essentially the same, and most of those outside the mainstream that gain power do so by expressing the negativism that the majority feel, and not because they have a plan that people really expect to work.

-----

Nouriel Roubini in his blog post, [Italy's Slow-Motion Euro Train Wreck](#), also bases the victory of euroskeptics in Italy on their economy being shackled by the Euro. But Jack Rasmus in a Counterpunch article, [Italian Debt Crisis Erupts -- Is This a Greek Debt Crisis Writ Large?](#), convincingly shows that the current approaches to the Greek debt just advance the problem by a few years. The European banking authorities funds the Greek government debt by forcing it to accept a greater immiseration of the Greek people because of imposed fiscal restraints. The money is then shipped off to the banks as debt relief, and so on, and so on. Italy not only has a huge public debt -- 130% of national output, but

the worse private banking condition in Europe. Total European private banking non-performing loans are \$2 trillion, and Italy possesses a quarter of them. All the mainstream hopefulness following the slump which bloomed into "robust growth", and "overheated economies", now is more likely to generate anger in the general populace. It's like a slap in the face, an insult, as if people can't tell when things stink. The US came within a hair of having two recessions during the "improving" period, and Europe had a double-digit recession from 2011-2013. The Italian economy fell 10% below 2008 GDP and today is still 5% below 2013. Which is bad but doesn't compare to Greece which is still 20-22% below 2008 level.

The Greek and Italian crises are very similar except that the latter has a much larger economy, but a significant difference is that the crisis point for Italy may well occur when the Eurozone has lapsed into another recession, something that all signs are pointing to.

<http://unrealeconomy.org>